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1965 Annual Report



National Starch and Chemical Corporation

ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 1965

Contents

Comparative Highlights	inside front cover
Letter to Shareholders	1
1965 Operations Review	2
Statement of Income and Retained Earnings	13
Consolidated Balance Sheet	14
Notes to Financial Statements	16
Ten-Year Summary	18
National's Products	20
Marketing Support	22
Directors and Officers	24
Company Offices, Laboratories, Plants	inside back cover

Comparative highlights

	1965	1964
Net sales	\$94,856,432	\$83,499,340
Earnings before income taxes	\$12,324,025	\$10,322,376
Taxes on income	\$ 5,562,137	\$ 4,969,933
Net income from operations	\$ 6,761,888	\$ 5,352,443
Depreciation	\$ 3,608,040	\$ 2,934,708
Earnings per share	\$1.84	\$1.51*
Cash dividends on common stock	\$ 2,140,767	\$ 1,870,784
Cash dividends per common share	\$.58	\$.53*
Plants, properties and equipment (net)	\$25,815,361	\$23,458,376
Number of stockholders	2,745	2,705
Shares of common stock outstanding	3,672,737	2,445,841
Number of employees	2,402	2,252

*Adjusted for 3 for 2 stock distribution made on March 31, 1965.



To Our Shareholders:

We are pleased to report that 1965 again produced record sales and earnings for our Company — the thirteenth consecutive such year.

Sales increased to \$94,856,432 from 1964 sales of \$83,499,340, an increase of 13.6%. Net earnings were \$6,761,888 compared to last year's figure of \$5,352,443, an increase of 26.3%. Earnings per share equalled \$1.84 versus \$1.51 in 1964, a 21.9% increase. The difference in the percentage increase between total earnings and per share earnings is due in large part to additional shares outstanding as a result of the conversion of our 5½% convertible notes at the end of 1964.

This increase in earnings, which is sizeable in relation to most other years, can be attributed in some degree to the vigor of the overall economy and to the maturing of certain projects in 1965, the most important of which was the additional corn grinding capacity which came on stream in the second quarter of the year. For the most part, however, our performance is the result of the continued and persistent application of the normal essentials of running a business, such as the integration of marketing with research and development leading to broader product lines and markets, the continued improvement in the efficiency and capacity of manufacturing facilities, and the emphasis on customer service and cost-consciousness.

Competition continues to be very keen, as should be expected in today's markets. Imports of duty-free tapioca starch were the second highest in history

and continue to be of some concern to the company. From a broader point of view, it might be noted that the import of this duty-free starch is unnecessarily harmful to the nation's gold flow problem since domestic products could replace all but a very small percentage of these imported starches.

The Kleen-Stik division continued to show a book loss, although the cash loss was minimal. The physical volume of Kleen-Stik sales was ahead of 1964 but, due to lower price levels, the dollar increase in sales was small.

Our international operations are making good progress, and we see no reason why this progress should not continue. Earnings of our 50% owned joint ventures are not reflected in our consolidated net income except for dividends received.

We continue to invest large amounts in research and development and in expanded manufacturing facilities. Research and development expenditures, apart from any investments in facilities, increased substantially in 1965, continuing at approximately 4 percent of sales. Capital additions amounted to \$6,004,470 in 1965. In 1966 we expect to spend about \$10 million, mostly on additional capacity.

One point which Professor Parkinson may have mentioned somewhere is that as a business grows, its paper work grows at a very much faster rate. There is also, of course, the ever increasing number of reports, forms and filings required by the government. In this area our computer, improvements in communica-

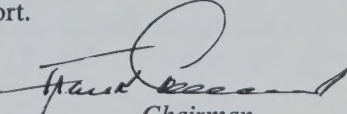
tions, and an increased emphasis on better systems are beginning to be helpful.

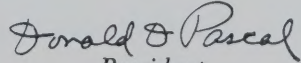
On January 24, 1966, the Board of Directors declared a quarterly dividend of 17½¢ per share, a 16⅔% increase over the 15¢ per share paid previously.

Two of our valued colleagues on the Board of Directors, Chester A. Gage and Herbert C. Piel, retired from the Board during the year. Mr. Gage came with the Company in 1921, becoming Sales Vice President and a director in 1932. Mr. Piel joined us soon after we acquired the Piel Bros. Starch Company in 1939. He became Vice President in charge of this corn grinding plant in 1948 and a director in 1953. We have thanked them before and here thank them again for their contributions. We add that their inclusion on the list at the end of this report as "honorary directors" is meant to be taken literally—we do honor them.

While the ability of our people to work so well together, plus our background of research knowledge built up over the years, are the greatest assets that we have, they never appear on our balance sheet.

To these people, who make up our National family, should go the full credit for our continued advancement, but we also thank our customers, suppliers, shareholders, and all others who are interested in our activities, for their support.


Chairman


President

1965 Operations Review

Sales and Earnings

Sales of \$94,856,432 represent an increase of 13.6% over the previous year's \$83,499,340. Earnings after taxes increased to \$6,761,888 from 1964's figure of \$5,352,443 or by 26.3%. The 1965 earnings are after an increase in depreciation to \$3,608,040 from \$2,934,708, reflecting the Company's continued and expanded investment in new plant and equipment. In both years, the full U.S. investment tax credit, which increased to \$306,122 from \$192,468, has been taken. Amortization of the deferred portion of prior years' credits amounted to \$28,042 in each year.

Dividends

Effective with the May 1965 dividend, the Company paid dividends each quarter through 1965 at the rate of 15¢ per share. Since a three-for-two split of the common stock was effected on March 31, 1965, this reflected a 12½% in-

crease over the previous rate and represented the 13th consecutive year of increased dividends.

On January 24, 1966, the Board of Directors further increased the quarterly dividend to 17½¢ per share, a 16⅔% increase over the previous rate.

Capitalization

Common stock issued increased during the year from 2,445,841 shares on December 31, 1964 (after conversion of the 5½% notes) to 3,683,737 shares on December 31, 1965. Of the 1,237,896 share increase, 1,222,233 shares were issued on March 31, 1965 in connection with the three-for-two stock split and the remainder from time to time pursuant to the Company's Stock Option Plan for key management employees. At the end of 1965, 11,000 shares were held in the Company's Treasury.

On June 3, 1965, options to purchase common stock of the Company were

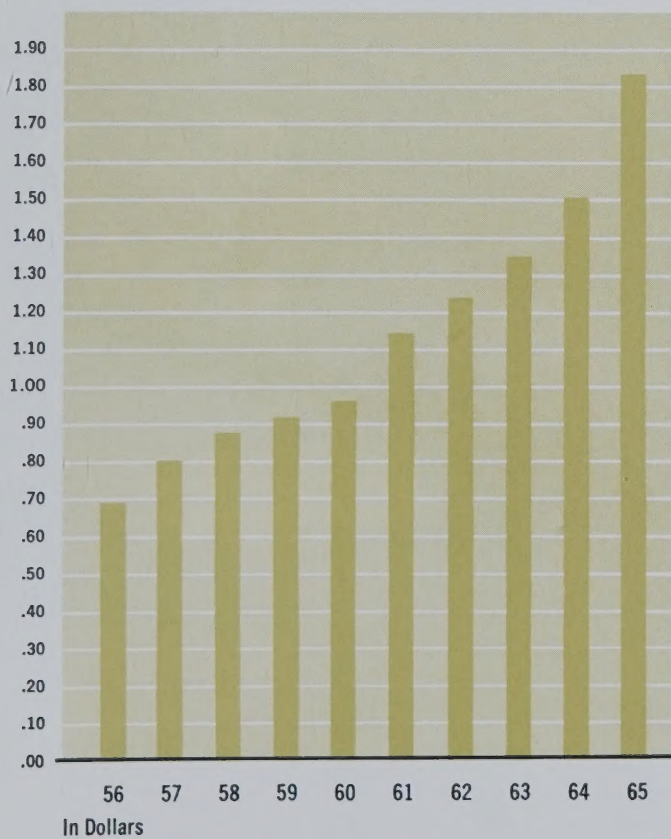
offered to the Company's employees pursuant to the 1965 Employees Stock Purchase Plan approved by the shareholders at their annual meeting on April 27, 1965. The price of the shares is to be 100 percent of the closing market price on June 3, 1965, or on May 31, 1966, whichever is lower, but not less than \$30.00 per share. Payment for the shares is being made through payroll deductions over an eleven month period. On January 31, 1966, 8,448 shares were subject to issuance under this grant.

On January 24, 1966, the Board authorized grants of options to purchase common stock of the Company under the 1965 Stock Option Plan for Key Employees approved by the shareholders on April 27, 1965. Options to purchase an aggregate of 21,950 shares were granted at a price equal to 100% of market price on the day of the grant.

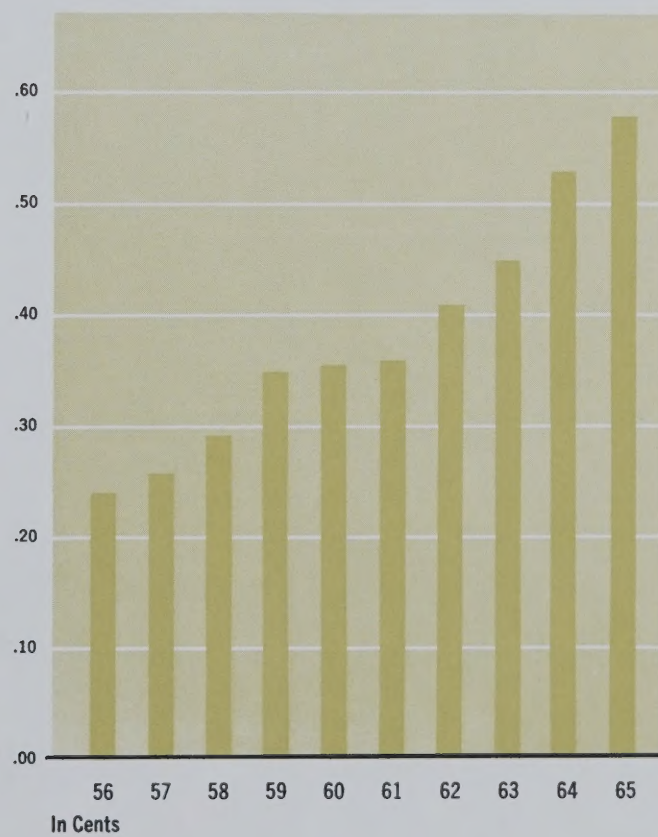
Marketing

Sales increases in 1965 generally

Net Earnings per Common Share



Dividends per Common Share





Full color advertisement appeared in textile trade publications. X-LINK pigment binder locked the colors in and will withstand dry cleaning and repeated washings.



It takes Wood-Lok® glue only 30 minutes to set under a pressure of 30-50 psi. As the first stack is removed from the press, another charge is moved into the vacated section. This operation is repeated throughout the day.



Instant Clearjel® is used in dehydrated food bars, such as beef and gravy, and has been found to perform in space under zero gravity conditions.

continued the trends of recent years, both with respect to product mix and the healthy condition of our major markets.

Our sales of packaging adhesives were stimulated by increased sales coverage, continued new product development, and by the addition in recent years of several strategically located plants—two having started up in 1965. These local plants provide greatly improved customer service, which is reflected in more sales at each location.

In the structural adhesives field our rate of growth has been even faster, since a larger proportion of these products were introduced in more recent years. Duro-Lok®, used in exterior grade building components, and Kor-Lok®, introduced in early 1965 for use in furniture and furniture parts, are representative of these newer products.

The paint market showed a continuing increase in consumption of polyvinyl acetate latices in water-thinned

paints, although not as rapid, of course, as in the early years of their development.

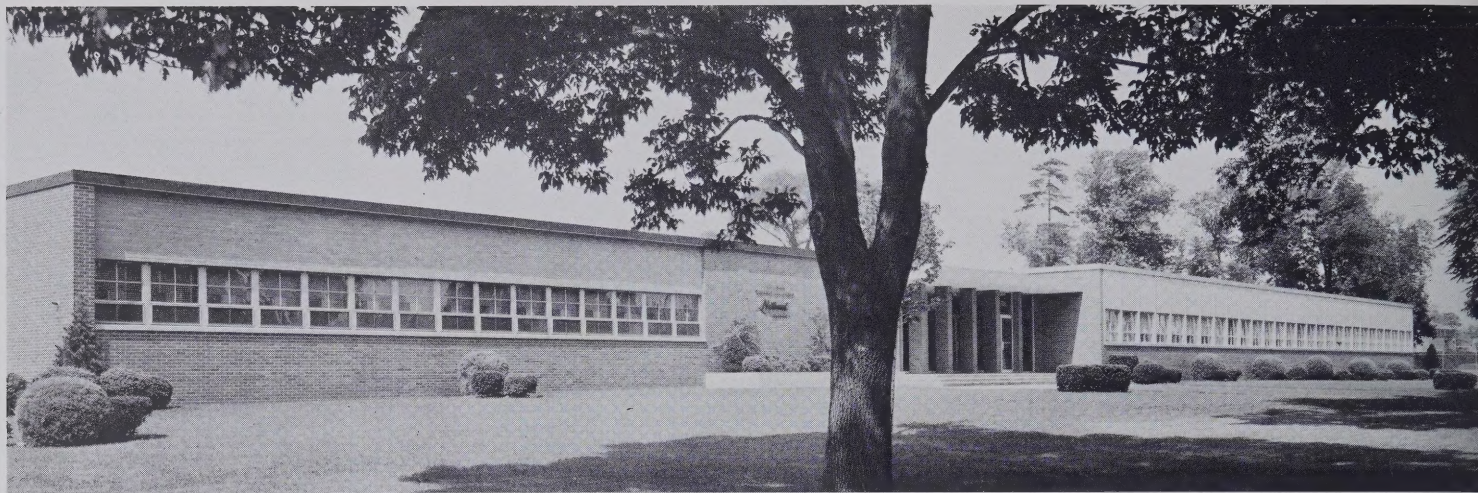
Continuing the trend of recent years, major contributions to our sales expansion in 1965 were made by those products going to the paper, food and textile industries. Our ability to find significant commercial applications for our new product developments in these areas has been assisted by certain trends in the markets. A variety of specialty starches and resins have found new and greater usage because of the more demanding technical requirements of our customers. Examples are the increasing demands in the paper industry for improved printability and gloss on pigment coated board and for higher degrees of water resistance in shipping containers, continued growth in the food field of frozen and convenience foods, and the continued expansion in the use of synthetic fibers and impregnated materials in the textile and related industries. We have

been able to combine our knowledge of polymerization with our adhesive know-how to produce materials particularly suited to laminations, such as polyurethane foam or other synthetics to various fabrics.

We continued to strengthen our sales organization in 1965, both in the number of people who service our customers and in the coordination of our selling and product development efforts. Such integration is the keystone of our marketing program since our progress depends on our knowledge of our customers' operations and our ability to anticipate and meet their requirements.

Research and Development

As indicated, our marketing effort is to a very large degree dependent on the success of our research and development efforts in predicting the future requirements of the markets we serve. In 1965 we continued to devote the major portion of these efforts to those



At the Alexander Research Center in Plainfield, N. J. more than 300 people are engaged in research, development, engineering and customer technical service activities.

areas having the most direct and immediate potential for commercial application. As always, however, a certain amount of time and money must be spent on more fundamental research in order to provide a basis for future commercial work. A few illustrations of essentially completed work may be indicative of the scope and variety of our endeavors and problems.

Vastly improved cationic starches for a wide range of applications in paper making and paper coating have been developed. Broad patent applications have been filed on these areas of cationic starch so that we expect our competitive position will become even stronger than in the past.

Our work on linear starches and their modifications has continued to progress. Amylon, our genetically-derived high-amylose starch, is now commercially available with an amylose content of 70% as compared with the initial material with an amylose content of 55%.

In the food field, we have developed new products for soups, baby foods, and desserts. In the synthetic polymer field a new water-thinned exterior paint vehicle, after several years of outdoor test exposure, has just been commercially launched. We have a new advance in a fire-retardant water-thinned paint resin which does not lose its fire-retardant properties on aging and which, in addition, has all the properties required in a good interior paint. Add to this new textile finishing and flocking adhesives, non-woven binders, and resins for magnetic tape manufacturing and many other uses. Just announced is a new resin coating in an aqueous system for application as a metal primer and top coat finish applicable to the automotive and appliance industries. Still in the development stage is a water-thinned polymer system which promises to be unique in the formulation of interior gloss paints.

In the specialty chemical field we

have announced patented new monomeric and polymeric light stabilizers for use in the plastics field to give permanent protection against the damaging UV components of sunlight. Other materials promising as auxiliaries in the production and compounding of plastics are under development.

The pages of this report are printed on paper in which the casein has been replaced as the pigment binder by one of our new synthetic polymers.

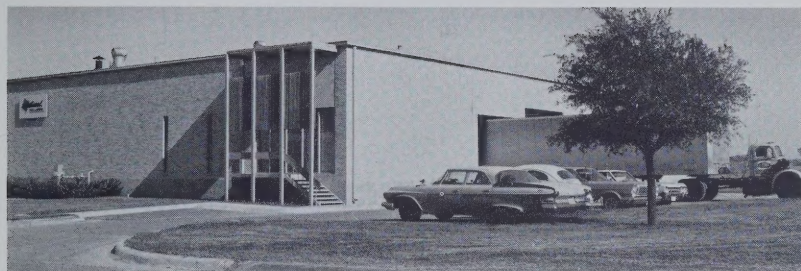
A significant part of our effort is also devoted to process development, especially important in view of the relatively large number of new products and improvements which each year must be made ready for commercial manufacture. Our pilot plant and process development groups are also looking toward possible adaptations and innovations in our customers' processes which would permit greater or more efficient use, handling and storage of our products.

The effectiveness of our research and

New Adhesive Plants



NO. KANSAS CITY, MO.



DALLAS-FORT WORTH

development efforts continues to show a satisfactory trend. Measured by the average price of our specialty products in relation to price of the base products, and by the percentage of total sales represented by new products introduced in the last five years, the same desirable pattern continues to be shown. The number of patent applications filed and patents issued in 1965 increased, although, of course, the usefulness of much of this work has yet to be proved in the market place. Through 1965, we continued to spend about 4 percent of our steadily increasing sales volume on research and development.

Manufacturing

More sales mean more capacity—more new products often require special equipment. This means that we must continually add to our manufacturing facilities.

During 1965 we completed and put into full operation a substantial addition

to our corn starch capacity at Indianapolis and added polymerization facilities at Meredosia and Toronto.

As mentioned previously, two adhesives plants, at Dallas and Kansas City, were put into operation and more are planned for the future. This will give the company more strategically located adhesives plants providing improved service to our customers.

The approved 1966 budget for capital expenditures is almost \$15,000,000. As in the past, not all the proposed budget will be spent in the current year. We estimate our cash outlay for capital expenditures for 1966 will be approximately \$10,000,000, including some projects authorized under the 1965 budget which will be completed in 1966.

Our new budget calls for a further increase in polymerization capacity at Meredosia, enlarging the Plainfield and Chicago plants, and, at Indianapolis, another substantial addition to our corn

starch facilities which will include a major boiler and power generating plant. Other expenditures for equipment will be made to obtain better quality, greater efficiency and safety.

International Operations

The sales and earnings of subsidiaries and joint ventures engaged in making and marketing our products outside the United States continued to increase in 1965, again setting a new record.

Our wholly-owned subsidiaries in Canada, England and Mexico continued to expand their production facilities for adhesives and resins and to diversify their product lines. In England, we acquired another producer of resins and adhesives, H. A. Smith Ltd. of Braunston, which provided much needed additional capacity and also experienced personnel. An expanded international research organization was relocated at Slough, England, with a new laboratory and pilot plant for resin



Research seminar on polymers conducted by Dr. J. K. Stille of the University of Iowa.

development. In Canada, our resin polymerization facilities were doubled to cope with rising sales.

In Holland, Delft-National Chemie undertook the installation of a new adhesives plant at Delft and also established a subsidiary in Switzerland. Plans were also initiated for additional adhesive capacity at Jordan-National Co. Pty. Ltd. in Australia.

Our starch joint ventures in England and in France made substantial gains in both sales and earnings in 1965 arising, for the most part, from the sale of starch specialties based on National's know-how. Extensive new facilities for the production of National's starch specialties were completed and started up in England to supply the growing sales of Laing-National Ltd.

Personnel

Each year it is necessary to place greater emphasis on the recruiting and training of personnel to prepare for the

continued growth of the Company. Constant vigilance is needed to be sure that competent people are not only adequately compensated but also receive encouragement for the future in terms of their own advancement. Obviously a growing company such as ours has many such opportunities.

Resulting from our emphasis on training and self-development, almost all of the opportunities generated by our growth were filled last year through the advancement of our own employees. Such positions were available in every part of our organization.

The responsibility, therefore, of those charged with recruiting and training is to find people with the potential and ambition to fill positions of higher responsibilities as such positions become available and to encourage their self-development so that they are prepared when the need arises.

Our eighth Employees Stock Purchase Plan, which makes possible the

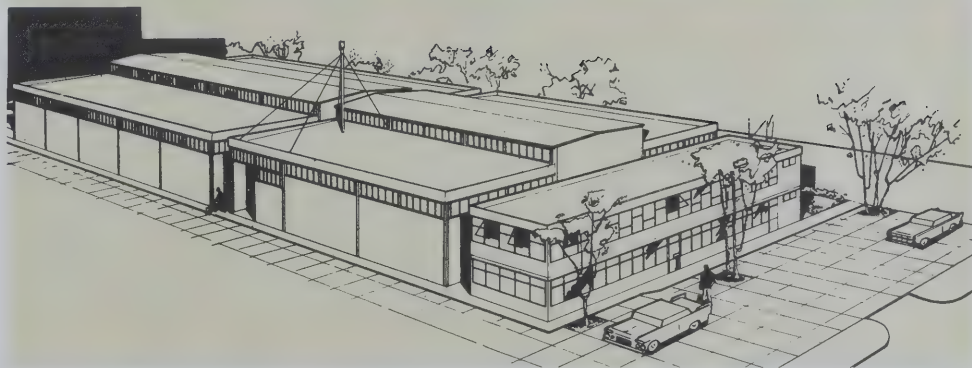
acquisition of company stock under favorable terms, was instituted in June, 1965. All employees, except officers of the Company, are eligible for this Plan and the degree of participation by our people indicates its favorable reception and value to them and to the Company.

The rest of our Benefit Program, including pension plans, group life, medical and disability insurance, are all reviewed at appropriate times to help the Company maintain its industrial position.

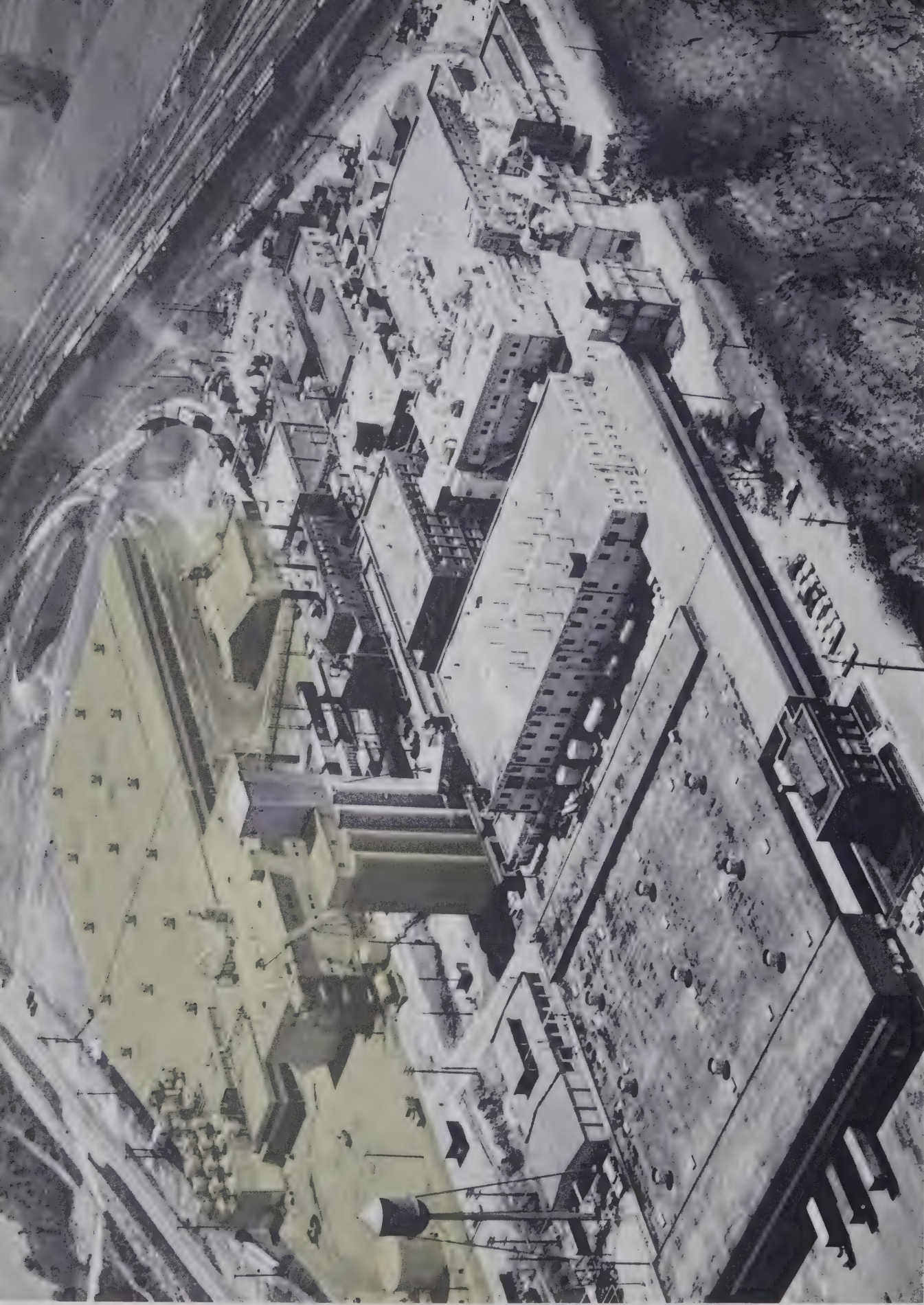
International Plants



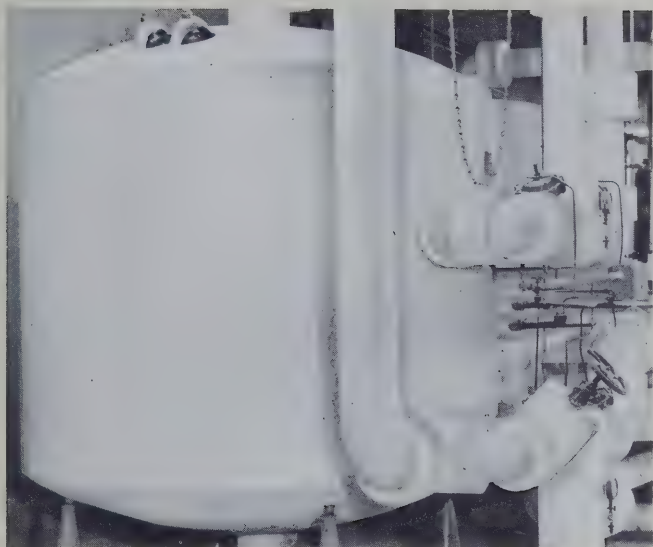
National Adhesives Limited, Slough, England.



Artists rendition of new plant in Mexico City.



Aerial view of Indianapolis plant. This photo was taken after completion of 1965 expansion program which is indicated by tinted area.



Equipment used in filtering and conditioning fresh water used in the processing and washing of specialty starches. Over 500,000 gallons of water are used daily.



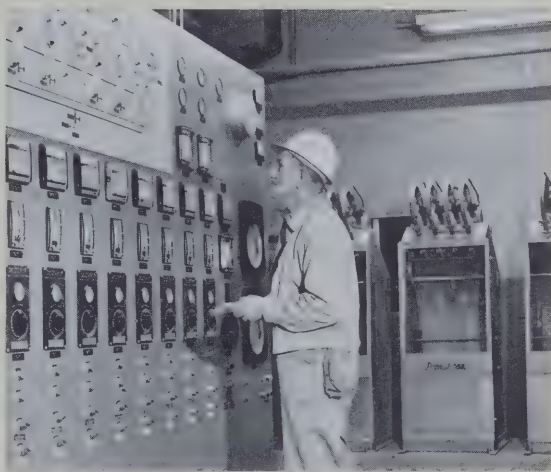
The National Starch and Chemical Corporation car fleet consists of over 80 cars for delivering bulk starch and feed. Also we maintain 75 tank cars to deliver liquid products.



A view of the starch storage and blending hopper area. On top of each hopper are dust collectors.



Starch Flash Dryer where moisture is removed from starch in a matter of seconds.



Master Control Panel for controlling the entire steeping and milling process. In the background are DSM screens for fiber separation.

Accountants' report

MAIN LAFRENTZ & CO.

90 Park Avenue, New York, N.Y. 10016

*To the Board of Directors and Stockholders of
National Starch and Chemical Corporation*

We have examined the consolidated balance sheet of National Starch and Chemical Corporation and subsidiary companies as of December 31, 1965, and the related statement of consolidated income and earnings retained in the business for the year then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. With respect to foreign subsidiaries, we have relied upon reports submitted by other independent accountants, which indicate their examinations were similar in scope.

In our opinion, the accompanying balance sheet and related statement of income and earnings retained in the business present fairly the financial position of National Starch and Chemical Corporation and subsidiary companies as of December 31, 1965, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

New York, N. Y.
January 31, 1966

MAIN LAFRENTZ & CO.
Certified Public Accountants

Statement of consolidated income and retained earnings

	<i>For the Year Ended December 31</i>	1965	1964
Net Sales		\$94,856,432	\$83,499,340
Cost of Sales		<u>66,809,925</u>	<u>58,347,038</u>
Gross Profit		28,046,507	25,152,302
Selling, General and Administrative Expense		<u>15,790,439</u>	<u>14,718,603</u>
Profit from Operations		12,256,068	10,433,699
Other Income		997,808	715,527
Total Income		<u>13,253,876</u>	<u>11,149,226</u>
Other Charges		<u>929,851</u>	<u>826,850</u>
Income before Provision for Taxes		12,324,025	10,322,376
Provision for Estimated Federal, Foreign and State Taxes on Income ...		<u>5,562,137</u>	<u>4,969,933</u>
Net Income for Year		6,761,888	5,352,443
Special Credits		—	934,459
Total		<u>6,761,888</u>	<u>6,286,902</u>
Retained Earnings, January 1		<u>15,609,178</u>	<u>14,364,174</u>
Total		<u>22,371,066</u>	<u>20,651,076</u>
Dividends for the Year:			
Cash Dividend		2,140,767	1,870,784
Stock Dividend		—	3,171,114
Total		<u>2,140,767</u>	<u>5,041,898</u>
Retained Earnings, December 31		<u>\$20,230,299</u>	<u>\$15,609,178</u>

Note: The accompanying Financial notes are an integral part of this statement.

Consolidated balance sheet

Assets	December 31,	1965	1964
CURRENT ASSETS:			
Cash		\$ 3,592,169	\$ 3,821,863
Marketable securities (at cost—market approximates cost)		—	479,924
Accounts receivable:			
Trade		8,679,849	7,364,834
Other		1,087,447	921,633
Inventories, at lower of average cost or market:			
Finished goods		8,376,131	7,986,898
Raw materials and supplies		5,302,179	5,125,471
Total Current Assets		<u>27,037,775</u>	<u>25,700,623</u>
INVESTMENTS (at cost)		<u>1,052,823</u>	<u>1,276,664</u>
PROPERTY:			
Buildings and equipment (at cost)		48,838,279	43,016,349
Less accumulated depreciation and amortization		<u>23,891,274</u>	<u>20,277,658</u>
		24,947,005	22,738,691
Land		868,356	719,685
Property—net book value		<u>25,815,361</u>	<u>23,458,376</u>
OTHER ASSETS AND DEFERRED CHARGES		141,808	390,957
EXCESS OF INVESTMENT IN SUBSIDIARIES OVER NET ASSETS ACQUIRED ...		690,776	315,169
Total		<u>\$54,738,543</u>	<u>\$51,141,789</u>

Note: The accompanying Financial notes are an integral part of this statement.

Liabilities	<i>December 31,</i>	1965	1964
CURRENT LIABILITIES:			
Notes payable to bank		\$ 1,000,000	\$ 1,000,000
Long term debt due within one year		687,172	664,528
Accounts payable		2,668,539	3,244,307
Accrued taxes		4,386,175	4,039,345
Accrued expenses		1,171,478	1,089,931
Total Current Liabilities		<u>9,913,364</u>	<u>10,038,111</u>
LONG TERM DEBT MATURING AFTER ONE YEAR		<u>2,051,956</u>	<u>2,729,699</u>
DEFERRED INCOME TAXES		<u>121,680</u>	<u>112,167</u>
RESERVE FOR FOREIGN EXCHANGE FLUCTUATION		<u>31,315</u>	<u>31,113</u>
MINORITY INTEREST IN SUBSIDIARY		<u>206,780</u>	<u>167,468</u>
STOCKHOLDERS' EQUITY:			
Common stock		1,841,868	1,222,920
Paid-in surplus		20,704,774	21,231,133
Retained earnings		20,230,299	15,609,178
		<u>42,776,941</u>	<u>38,063,231</u>
Less treasury stock (at cost)		363,493	—
Total Stockholders' Equity		<u>42,413,448</u>	<u>38,063,231</u>
Total		<u>\$54,738,543</u>	<u>\$51,141,789</u>

Note: The accompanying Financial notes are an integral part of this statement.

Financial notes

Applicable to 1965 financial statements

1. The consolidated statements include the accounts of all subsidiaries of the Company. The Company's 50% joint ventures in foreign countries have not been consolidated and the investment in these ventures is carried at cost.

2. The accounts of the Canadian subsidiary have been translated into United States dollars as follows: income and expense and current assets and current liabilities at \$.925 per Canadian dollar; net fixed assets and intangible assets at par. The accounts of the English and Mexican subsidiaries have been translated at \$2.80 per pound and at \$.08 per peso, respectively.

3. The Company has covenanted in accordance with its term loan agreement that dividend payments on its common stock (other than stock dividends) are limited to earnings of the Company accumulated after December 31, 1958, the undistributed balance of which amounted to \$17,880,868 on December 31, 1965. The Company is also required to maintain working capital in an amount not less than \$8,000,000.

The term loan of \$2,500,000 is due in quarterly installments in 1966 and 1967.

4. Under the Company's 1951 Stock Option Plan for Key Management Employees, 40,864 shares of Common Stock were issuable under options outstanding on January 1, 1965. During 1965, options with respect to 15,663 shares were exercised and options for 1,435 shares were terminated. As a result of the Company's three-for-two stock distribution made on March 31, 1965, 20,348 additional shares became issuable upon exercise of outstanding options pursuant to the "anti-dilution" provisions of the 1951 Plan so that on December 31, 1965, options aggregating 44,114 were outstanding. All grants were made at not less than 95% of the market price at date of grant. There were no changes in the exercise price of outstanding options under the Plans through cancellation and reissuance or otherwise, except for price changes resulting from the normal operation of the "anti-dilution" provisions of the options. On January 24, 1966, options with respect to 21,950 shares were granted

pursuant to the 1965 Stock Option Plan for Key Management Employees approved by the stockholders on April 27, 1965. This grant was made at 100% of the market price on that date. On December 31, 1965, 8,558 shares were issuable under the Company's Employee Stock Purchase Plan.

5. Net income from operations reflects the full U.S. tax credit for investment in depreciable property amounting to \$306,122 and, in addition, an amortized portion of prior years' deferred tax credit of \$28,042.

6. Stockholders' equity was represented by the following:

CAPITAL STOCK:	
Preferred—	
\$100. par, authorized	
25,000 shares; none issued	
Common—	
\$.50 par, authorized	
8,000,000 shares;	
issued 3,683,737 shares ...	\$ 1,841,868
Reserved:	
52,672 shares	
for Stock Options	
PAID-IN SURPLUS	20,704,774
RETAINED EARNINGS	20,230,299
	\$42,776,941
LESS TREASURY STOCK	
(11,000 Common shares at cost)	363,493
TOTAL	<u>\$42,413,448</u>

7. Changes in paid-in surplus were as follows:

Balance, January 1, 1965 . . .	\$21,231,133
Excess of proceeds over par value of Common Stock issued under stock option plan	108,681
Par value of shares issued in connection with 3 for 2 stock distribution on March 31, 1965 transferred to Capital Stock account and \$23,923 cash paid for fractional shares	(635,040)
Balance, December 31, 1965	<u>\$20,704,774</u>

8. Certain claims are pending against the Company, but in the opinion of the Company these matters are not expected to have a significant effect on the Company's financial condition.

National Starch and Chemical Corporation and Subsidiary Companies

Consolidated Statement of Source and Application of Funds

For the Year Ended December 31, 1965

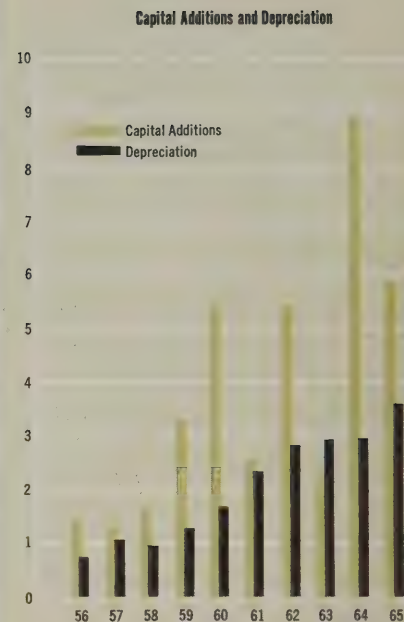
Source of Funds:

Net income	\$ 6,761,888
Depreciation	3,608,040
Other—net	225,701
	<u>10,595,629</u>

Application of Funds:

Capital additions	6,004,470
Dividends	2,140,767
Reduction of long term debt	625,000
Purchase of treasury stock	363,493
	<u>9,133,730</u>

Working Capital Increase \$ 1,461,899



All Charts in Millions of Dollars

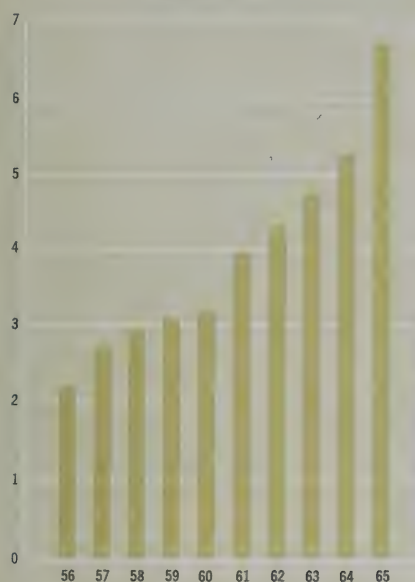
Ten-year summary of financial information—1956-1965

Operating results

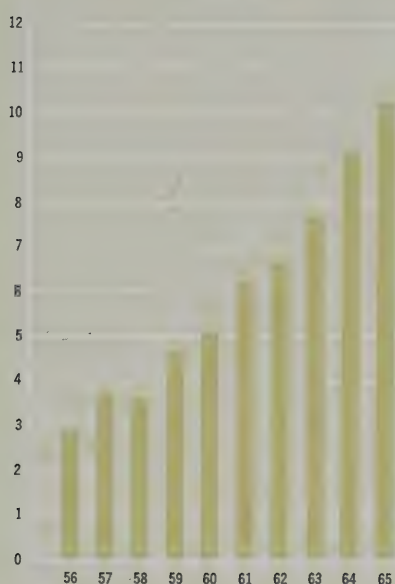
Years	Net Sales	Cost and Other Expenses (net)	Earnings Before Income Taxes	Income Taxes	Net Income from Operations	Earnings from Operations Per Common Share*†	Cash Dividends Per Common Share†	Depreciation	Cash Flow Per Share†
1965	\$94,856,432	\$82,532,407	\$12,324,025	\$5,562,137	\$6,761,888	\$1.84	\$.58	\$3,608,040	\$2.82
1964	83,499,340	73,176,964	10,322,376	4,969,933	5,352,443	1.51	.53	2,934,708	2.60
1963	75,972,814	66,113,258	9,859,556	5,111,915	4,747,641	1.35	.45	2,914,548	2.21
1962	70,566,152	61,724,425	8,841,727	4,490,943	4,350,784	1.24	.41	2,861,459	1.92
1961	65,171,184	56,931,820	8,239,364	4,245,637	3,993,727	1.15	.36	2,330,247	1.79
1960	54,422,732	47,808,664	6,614,068	3,371,982	3,242,086	.96	.36	1,783,900	1.48
1959	52,768,725	46,311,573	6,457,152	3,356,346	3,100,806	.92	.35	1,351,465	1.40
1958	46,200,145	40,120,080	6,080,065	3,180,401	2,899,664	.87	.29	992,237	1.09
1957	43,745,779	38,149,035	5,596,744	2,920,209	2,676,535	.81	.26	1,024,107	1.12
1956	38,573,717	33,956,674	4,617,043	2,385,911	2,231,132	.69	.24	765,870	.92

*After preferred dividends except 1963 and thereafter when no preferred stock was outstanding during the year. †Computed on shares outstanding at the year end. 1964 excludes 84,334 shares issued as of December 31, 1964 in connection with the conversion of the Company's 5½% Convertible Subordinated Notes. Adjusted for 10%

Net Earnings After Taxes



Cash Flow



Financial position

Current Assets	Current Liabilities	Working Capital	Plant, Properties and Equipment—Net of Depreciation	Capital Additions	Long Term Debt	Common Stockholders' Equity	Equity Per Common Share†	Current Ratio
\$27,037,775	\$9,913,364	\$17,124,411	\$25,815,361	\$6,004,470	\$2,051,956	\$41,722,672	\$11.36	2.7 to 1
25,700,623	10,038,111	15,662,512	23,458,376	8,950,961	2,729,699	37,748,062	10.66	2.6 to 1
26,819,098	8,603,941	18,215,157	17,489,009	2,271,257	6,406,687	30,087,867	8.54	3.1 to 1
21,859,359	7,355,094	14,504,265	17,699,876	5,481,800	7,185,417	26,799,215	7.65	3.0 to 1
22,782,874	7,299,871	15,483,003	16,379,196	2,576,963	8,175,714	24,096,839	6.95	3.1 to 1
17,075,897	4,461,356	12,614,541	15,039,645	5,445,886	8,408,796	20,745,851	6.11	3.8 to 1
16,131,471	4,416,807	11,714,664	11,359,496	3,321,662	4,468,336	18,676,766	5.56	3.7 to 1
14,882,916	4,973,175	9,909,741	9,129,382	1,719,635	1,869,652	16,345,112	4.92	3.0 to 1
13,902,083	5,098,356	8,803,727	7,871,320	1,362,292	1,693,623	14,570,206	4.42	2.7 to 1
12,220,181	4,859,633	7,360,548	7,420,557	1,422,345	1,701,042	12,490,670	3.85	2.5 to 1

stock dividend in 1957 and 1958, 2 for 1 split in 1959, 2% stock dividend in 1960 and 1961, 3% stock dividend in 1962, 1963 and 1964 and 3 for 2 distribution in 1965. 1957 was the first year to include National Adhesives Limited, England. 1961 and thereafter include Kleen-Stik Products, Inc.; 1963 and thereafter include all subsidiaries.

Full color advertisement appeared in food industry trade publications. COL-FLO® and INSTANT CLEARJEL® enhance the appearance and stability of frozen and fresh baked pie fillings and other convenience foods.



You'll find a National product everywhere...

Adhesives

For making envelopes, bags, tubes, paper drinking cups and plates, cartons, shipping cases, fiber drums, composite fiber cans, and every other type of container or package from paper and from synthetic film.

Sealing cartons, bags, and other containers; labeling or identifying packages.

Lamination of paper, paperboard, foil, cellophane, polyvinyl chloride, polyethylene, polypropylene, polyesters, polyvinylidene chloride, and many other films creating new packaging materials.

Woodworking; furniture assembly; plastic lamination; building construction; mobile and prefabricated homes; automotive assemblies.

Lumber; finger jointing, overlaying of plywood, lumber flooring, and panel construction.

Shoe and luggage manufacturing; bookbinding; mounting of plastic wall coverings; insulation materials; and other applications.

Repackagers, and custom adhesive formulations for over the counter sales.

Starches and Dextrins

For paper and paperboard manufacture, covering every operation—sizing, coating, corrugating, laminating and other conversions.

Textiles—yarn sizing of cotton, wool, glass fibers and synthetics; for specialty printing gums and for finishing.

Food Manufacture—from fruit pies to canned and frozen foods, baby foods, salad dressing and puddings.

Pharmaceuticals — from aspirin and antibiotics to surgical dusting powder and encapsulation of vitamins.

Specialty Industrial Applications — from ceramics to ore flocculation, oil well drilling, leather manufacture, rubber, acoustical tile, foundry moulding laundries, aerosol sprays, oven cleaners.

Vinyl Acetate Monomer, Polymers and Copolymers

For the manufacture of trade sale paints and industrial coatings and impregnations, sizings, adhesives, pigment binding and coating in the manufacture of paper and textiles, including uphol-

stery fabrics; manufacture of insulation materials; prefinishing of wood siding.

Binder material in the production of a wide variety of products from paper to non-woven fabrics.

Specialty copolymers for use in a patented hairspray process.

Gluten Feed and Meal

By-products of starch processing sold to animal feed mixers who require its special properties, especially for dairy cattle feed and poultry feed.

Crude Corn Oil

Sold to refiners from whom it flows into a wide variety of foods — an unsaturated vegetable oil rapidly increasing in popularity.

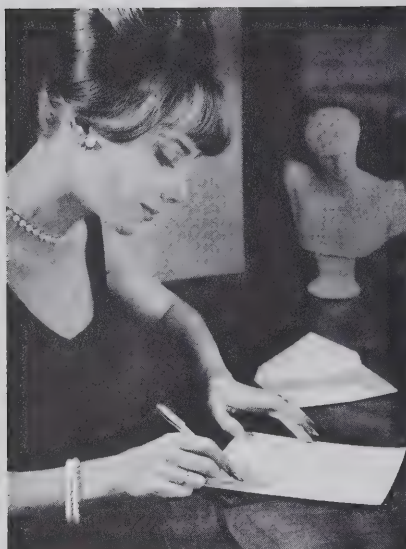
Customer Services

Engineering and producing new mechanical systems for handling and applying new products. Continuous jet cookers for starch. Bulk handling and storage facilities for starches—resins—adhesives.



Marketing support

Below is a sampling of one- and two-page advertisements illustrating National's quality products and customer services.



**Cato® lets you put elegance
in your bond papers.**

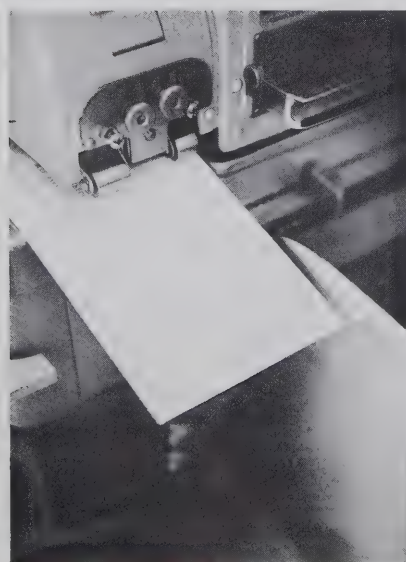
**It increases strength...
reduces feathering...
lets your fillers and fines
do the job they were meant to do.**

Consider your principal requirements for bond papers... and how Cato meets these needs:

- You want "hard" sizing for absorption resistance. Cato increases retention of rosin-coated fillers. Result: a uniform, more complete sizing; a significant reduction in feathering and two-sidedness.
- You want high fold endurance. The cationic Cato molecule binds fibers together to increase internal strength... to increase miller, wet-pick and tensile properties.
- You want surface smoothness and elegant texture. Cato binds in pigments and other additives... lets them provide the richness in look and feel you so carefully planned.

Contact National for information on a trial run with Cato. Write:
National Starch and Chemical Corporation, 730 Third Avenue, New York, N. Y. 10017, Toronto and Montreal, Canada.
Requinte-National Chemie, Ltd., Frauen. Lang-National Ltd., Manchester, England

NATIONAL STARCH AND CHEMICAL CORPORATION 



**Seals instantly
with only light pressure,
produces a tearing bond
in 5-seconds.**

It's Jet-Seal 95.

No matter how careful your customers are with their envelopes and automatic inserting and sealing machines, some envelopes never do get sealed.

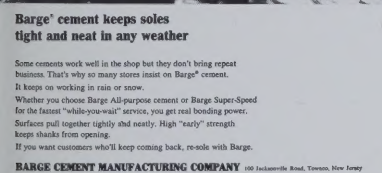
The reason: many envelope adhesives only work well within a very narrow range of conditions. But new all-purpose Jet-Seal 95 is different. Put it on from 1/8 to 1 1/2 mils deep and it doesn't ridge. It performs well in all machines. It sticks on just about any paper. It dries quickly to an excellent gloss. And, it shows first non-blooming characteristics.

Order a drum and see for yourself how it cuts down complaints from the field.

National Starch and Chemical Corp., 730 Third Ave., N. Y. N. Y. 10017, Toronto, Montreal, Canada, Mexico City.
National Adhesives, Slough, England. Dadi-National Chemie, Delft, Holland. Jordan-National, Sydney, Australia.

NATIONAL STARCH AND CHEMICAL CORPORATION 



[illegible]

That's not all. Kor-Lok 3000 works on both radio frequency and hot press equipment. It reduces your glue spread by a third.

And, it meets Type II requirements of CS-35-61.

Cleanup of equipment and plastic faces is easy with Kor-Lok 3000. It develops a light-colored film; has a 24-hour pot life which eliminates waste.

In addition to these uses, Kor-Lok 3000 works equally well for plastic laminates and flush doors.

Order 5-galons and see for yourself how you can double production with your present equipment at the same time, lower your unit costs.

National Starch and Chemical Corp., 750 Third Ave., New York, N. Y. 10017. Toronto, Canada, Meriton City, National Adhesives, Slough, England, Delhi-Punjab Chemical, Delhi, Holland, Jeldat-National, Sydney, Australia.

NATIONAL STARCH AND CHEMICAL CORPORATION

National

Koflin defends loom sport—by up to 50 per cent, at many mills. How? Unlike corn starch, Koflin has a natural fiber affinity. It penetrates synthetics and blends better, strengthening the fiber and increasing abrasion-resistance.

This means more uniform weaving, less shedding. You realize maximum efficiency—typically, between 83 and 90 per cent, in weaving even our most difficult styles.

You also realize smoother, more efficient operations. Koflin is easy to work with because it can be supplied at the viscosity you specify. It is non-greasy (no hard size) even in a high solids mix, and it's easy to remove in finishing.

Find out how much you'll save with Koflin. For a free trial, call.

Textile Chemicals Division, 790 Third Ave., New York, N.Y. 10151 Torrance and Montreal, Canada. **Naturex National Chemical Ltd., 1100 Lakeshore Drive, Toronto, Ontario.**

National Starch and Chemical Corporation

Directors

CARLYLE G. CALDWELL
Vice President

EDWARD B. CONWAY
Partner, F. Eberstadt Co., New York, N. Y.

JOSEPH J. DANIELS
Partner, Baker & Daniels, Indianapolis, Indiana

ALFRED H. DREWES
President, National Lead Company, New York, N. Y.

JOHN F. FITZGERALD
Vice President

GORDON GRAND, JR.
*President, Olin Mathieson Chemical Corporation,
New York, N. Y.*

FRANK K. GREENWALL
Chairman of the Board

ROBERT W. MERRITT
Executive Vice President

WILLIAM A. MITCHELL
*Retired, Formerly Chairman, The Central Trust Co.,
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DONALD D. PASCAL
President

BERNARD H. SCHULIST
President, The Continental Bank, Cleveland, Ohio

SIDNEY F. THUNE
Executive Vice President

Honorary Directors

CHESTER A. GAGE
Formerly Vice President of the Company

HERBERT C. PIEL
Formerly Vice President of the Company

Officers

FRANK K. GREENWALL
Chairman of the Board

DONALD D. PASCAL
President and Chief Executive Officer

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Executive Vice President, Manufacturing

SIDNEY F. THUNE
Executive Vice President, Marketing

CARLYLE G. CALDWELL
Vice President, Research

JOHN F. FITZGERALD
Vice President, Starch Sales

ROBERT A. BINTZ
Vice President, Indianapolis

LESTER KLEMPNER
Vice President, Eastern Division

HAROLD R. SAMPSON
Vice President, Employee Relations and Secretary

BERKLEY V. SCHAUB
Vice President, International Operations

S. A. SEGAL
Vice President and Treasurer

FRANCIS L. MURPHY
Assistant Vice President, Adhesives and Resins Sales

JOHN C. CLAY
Assistant to the President

General Counsel: Debevoise, Plimpton, Lyons & Gates

Auditors: Main Lafrentz & Co.

Transfer Agent: Morgan Guaranty Trust Company of New York

Registrar: The Chase Manhattan Bank

Annual Meeting: April 26, 1966, Hotel Biltmore, N. Y.

Locations

Domestic sales offices

Atlanta	Los Angeles
Baltimore	Memphis
Boston	Miami
Buffalo	Milwaukee
Charlotte, N. C.	Minneapolis
Chicago	New Orleans
Cincinnati	New York
Cleveland	Philadelphia
Dallas-Ft. Worth	Pittsburgh
Detroit	Portland, Ore.
Houston	Saylesville, R. I.
Indianapolis	St. Louis
Jacksonville	San Francisco
No. Kansas City, Mo.	Seattle

Research Center

Plainfield, N. J.

Customer Service Laboratories

Atlanta	Toronto, Canada
Chicago	Montreal, Canada
Cincinnati	Slough, England
Dallas-Ft. Worth	Mexico City, Mexico
No. Kansas City, Mo.	*Manchester, England
Los Angeles	*Delft, Holland
Newark, N. J.	*Lestrem, France
San Francisco	*Sydney, Australia

Plants

Atlanta	San Francisco
Baltimore	Towaco, N. J.
Chicago	Mexico City, Mexico
Cincinnati	Montreal, Canada
Dallas-Ft. Worth	Toronto, Canada
Indianapolis	Slough, England
No. Kansas City, Mo.	Braunston, England
Long Mott, Texas	*Manchester & Goole, England
Los Angeles	*Sydney, Australia
Meredosia, Ill.	*Delft, Holland
Newark, N. J.	*Lestrem, France
Plainfield, N. J.	*Benoni, S. A.

*Joint Ventures

Executive Offices: 750 Third Avenue, New York, N. Y. 10017

In Canada: National Starch and Chemical Co. (Canada) Ltd., Toronto, Montreal.

In England: National Adhesives Limited, Slough, Braunston
Laing-National Limited, Battersea, London, & Trafford Park, Manchester.

In Mexico: National Starch and Chemical de Mexico, S.A. de C.V., Mexico City.

In Australia: Jordan-National Co. Pty. Ltd., Sydney.

In France: Roquette-National Chimie, Lille.

In Holland: Delft-National Chemie N.V., Delft.

In South Africa: Technical Adhesives & Chemical Products (Pty.) Limited, Benoni.

NATIONAL STARCH and CHEMICAL CORPORATION

